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**THREE EVENTFUL YEARS
IN TEXTILES**

**BY
WILLIAM WHITMAN**

**BOSTON
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THREE EVENTFUL YEARS IN TEXTILES.

(Reprint from the New York Commercial.)

THE American textile trade is glad to write "finis" on 1910, and now turns with relief and hope to its successor. There have been darker years than the one just past, but this was all the more discouraging because of its sharp contrast with the year before, and with what might have been, and was, anticipated. Within three years our textile business has swung violently from one to the other extreme. The period of 1907-1910 is certain to be long remembered for what it brought and what it failed to bring. It began in disaster, rose in a short-lived boom, and closed in disappointment.

The panic of 1907 was not at first commercial in its character. It was not due to any inherent weakness in industrial conditions. But in the end it proved far-reaching; the entire country and all industries were involved. As I said in an address in New York State to a gathering of business men May 13, 1908:

"In my judgment the disastrous effects of

that panic are more widespread and lasting than those resulting from any other panic during the last half century. They would have been incalculably more ruinous had not industrial, agricultural and commercial conditions for a long time previous been unusually healthy and the country more prosperous than ever before in its history. Because of these there have been comparatively few failures."

Right on the heels of a partial recovery from this panic came the Republican National Convention of 1908, and the Presidential campaign that followed. The tariff plank in the Republican National platform of that year ought never to have been written. It pledged the majority party to adopt such tariff rates "as will equal the difference in the cost of production at home and abroad, together with a reasonable profit to American industries." Such a promise was absolutely impracticable; it could never be carried out. An exact comparison of costs of production between our country and foreign countries could not be and has not been obtained. I was severely attacked for stating this opinion at the time, but I am now gratified to find myself in distinguished company. The President of the United States in a letter to the Chairman of the Republican Congressional Committee last August, after the Tariff Board had begun its inquiry, said :

“Moreover, when we understand that the cost of production differs in one country from that in another, and that it changes from year to year and from month to month, we must realize that the precise difference in cost of production sought for is not capable of definite ascertainment, and that all that even the most scientific person can do in his investigation is, after consideration of many facts which he learns, to exercise his best judgment in reaching a conclusion.”

Similar statements have been made by members of the Tariff Board. Says Chairman Emery :

“It is unfortunate that so much emphasis has been laid on the question of getting relative costs, since many people have assumed this to be both an easy task and a complete solution of the question. Any practical man knows that both these assumptions are faulty. One of the most difficult problems which a manufacturer has to solve in his own business is to determine the cost of any individual article which he produces. In fact, it would not be unreasonable for a manufacturer to respond to a request from such a body as ours for his costs of production : ‘I would give them to you if I could get them, and I am willing to pay you a good sum if you will find them out for me.’”

The Tariff Board ought never to have been *set to the task* of ascertaining exact com-

parative costs. It is wrestling heroically with the problem, but all that can be hoped for at the best is a "rough approximation." "Scientific tariff revision" and "rough approximation" are irreconcilable. Foreign manufacturers as a rule would never disclose their costs, if they knew them, to official representatives of the United States. This expedient in the form in which its extreme advocates have urged it is impracticable and will have to be abandoned.

THE TARIFF REVISION OF 1908-1909.

Throughout the summer of 1908, as it became more and more manifest that Mr. Taft would win and the Republican party would control the House of Representatives, general business steadily improved. By October the recovery was marked and gratifying. The national platform had pledged the party to "a revision of the tariff by a special session of Congress immediately following the inauguration of the next President," and commended "the steps already taken to this end in the work assigned to the appropriate committees of Congress, which are now investigating the operation and effect of existing schedules." But in spite of this ambitious declaration, there had really been no "investigation" in the broad sense of the term until



after the election of November, 1908, when Chairman Payne of the House Committee on Ways and Means announced the opening of a series of tariff hearings in Washington.

No more unfortunate period could have been selected for tariff revision. Stagnation in business and abnormally low prices consequent upon the panic were followed by exceptional business activity and rapidly advancing prices. Expansion and overtrading marked the period. The reaction was too quick and unhealthy. It killed the goose that laid the golden egg. For all the advancing prices the new Aldrich-Payne tariff was blamed, when, as a matter of fact, these high prices only represented the rebound from panic conditions. However, the tariff hearings and the preparation for changes in the tariff law proceeded without any acute disturbance of industrial conditions. The Republican party had overwhelmingly won the national election. The triumphant party was committed to a revision of the Dingley law, but it was supposed to be equally committed to a firm maintenance of the protective principle. The unfortunate division in the Republican ranks over the work of tariff-making was not then foreseen.

American manufacturers presented their case *in good faith before the committees of Congress.*

We of the wool manufacturing industry submitted our testimony with so much care and thoroughness and to so much length that it filled about two hundred and fifty closely printed pages. In this testimony there is to be found a conclusive answer to every hysterical attack upon our industry, but the trouble is that a case so complex and elaborate is not read. The masses of the American people seldom see precise economic arguments or authoritative official reports. These masses depend for their information chiefly on "popular" magazines and newspapers.

The statement presented by me on behalf of the National Association of Wool Manufacturers to the committees of Congress contained evidence which proved :

1. That the working people engaged in the woolen industry were not paid excessive wages.
2. That all others engaged in the industry, those in the management and those in the ownership, whether private or corporate, were not receiving excessive profits.
3. That there was no monopoly of the manufacture of woolen goods in any branch of the industry.
4. That the duties imposed on woolen goods under the Dingley law were not so high



as to prevent steadily increased importations from foreign countries.

This statement of facts has never been controverted by any reputable authority. The assailants of the wool tariff have always dodged the real issues. I assert that the textile industries of the United States are relatively less remunerative to capital than are other industries or business activities, and I challenge proof to the contrary.

MISREPRESENTING THE NEW LAW.

When the Aldrich-Payne tariff finally became a law, on August 5, 1909, the business interests of the country had every reason to believe that it would be reasonably permanent. But the new act from the very outset was violently assailed, and the alleged high cost of living and advanced prices of commodities were all wrongfully attributed to the new tariff law. Take the wool and woollen schedule for example. It was dishonestly asserted throughout the country that the new tariff heavily increased the duties on woollen goods. It was even declared that the law would add \$125,000,000 to the cost of the clothing of the American people! Now, no increased duties of any kind had at any time been asked for, and none had been granted. The only changes in the wool and woollen schedule were

slight, and they were all reductions. There was not a scintilla of excuse for the falsehood that the prices of cloths, dress goods, and clothing had been enhanced by the Aldrich-Payne law, yet this falsehood was iterated and reiterated up and down the United States. Clerks retailed it over the counter to their customers. It was exploited in the editorial columns of reckless newspapers. It was deliberately intended to deceive the people—and it did deceive some of them, for a time. Misrepresentation almost as bold as this was employed against nearly every other schedule of the new tariff, and the law was made the pretext for exorbitant prices imposed for selfish gain.

The Congressional elections of November, 1910, gave the enemies of protection a majority in the House of Representatives. This result was not unexpected. It was predicted by me in 1904, when tariff revision was being agitated. I said then that the project was ill-advised and wholly premature, that the country was prosperous and all was going well, and that to change the tariff meant inevitably a political overturn and the loss of Congress. That in succession was the result of the tariff revisions of 1883, 1890, and 1894. If the *business* men of this country could be polled *as to their* opinions, I believe that an over-



whelming majority of them would agree that we ought to have left well enough alone in 1908, and that another tariff change ought not to have been attempted. What has been gained by it is a customs court, higher rates of duty against nations that discriminate against us, and an improvement in the customs collection law.

However, these few good things have been purchased at an excessive cost. We have changed from one tariff to another, there has been a political overturn, and prosperity has yielded to depression. The people — or rather the politicians — have had their fun, and now the people are paying the piper for it. After fifteen years of exclusion from power, the Democratic party will control the next House of Representatives, and it is up to the party to take the initiative in tariff legislation. While the Democratic leader in the House has boasted he was a free trader, the boast was made at a time when his party was in a helpless minority. I have always observed that there is very great sobering power in a sense of actual responsibility. It will be something of a relief to American manufacturers to be sure of just what they can reckon on in the next Congress. I do not fear an open enemy half so much as I distrust a false friend.

CONSERVATION THE REAL GREAT NEED.

Advocates of tariff revision downward have a strangely exaggerated sense of its possible benefits. Duties that are too high, so high as to be unnecessary for protection, are really inoperative. They do not "oppress" the consumer. Domestic competition prevents that, and, indeed, very high rates of duty often create an excessive competition and force down prices to a level that may be advantageous for the time being to the consumers but certainly is not favorable to the producing interests of the United States. If existing rates of duty could be reduced and still be kept protective, nothing would be gained. Should the duties be reduced so much as to cripple or destroy the American industry and transfer production from this country to foreign countries, the result would be a serious economic loss. From my point of view, present tariff agitation and tariff changes are either futile or injurious.

The real great need, and problem of to-day, is not petty and ineffective alteration of our tariff, but the proper use of existing resources and the honest conservation of the wealth and energies of the human race. How small are the present savings and how great the waste ! *The population of the world is estimated at fifteen hundred and twenty millions (1,520-*

ooo,ooo) and the wealth of the world that represents the accumulations from the beginning is estimated at five hundred billions (500,000,000,000), equivalent to \$328.94 per capita. Let us compare this sum with some other sums that we may realize how insignificant are these accumulations. The interest of one dollar at 1.03 per cent per annum compounded for 6,000 years (which period for my purpose I will use as the time elapsing since the beginning of Creation) would be equivalent to the value of the weight of the world in gold, a sum so vast that it cannot be grasped, or expressed so that it can be understood. In ordinary language we should express the value as three billion five hundred and fifty-five million billion of billions of dollars (\$3,555,000,000,000,000,000,000,000). It may, therefore, be of interest to compare the actual accumulations of humanity with the fact that the interest of one dollar at 1.42 per cent accumulated for the nineteen hundred and ten years of the Christian era would be equivalent to the present world's wealth. It may also be of interest to compare the wealth of the United States, which has been estimated at one hundred billions of dollars (\$100,000,000,000), with the fact that \$7,586.90 at 4 per cent per annum compounded for 418 years, the period since

America was discovered by Columbus, would equal the entire wealth of ours the richest people in the world.

Another evidence of the great waste is the losses by fire in the United States. During the last decade they have averaged \$137,400,000 a year. In 1906 they reached the enormous sum of \$292,000,000, a sum almost equal to the entire revenue from our tariff duties for the fiscal year 1906, which was \$293,910,000. The heavy destruction by fire and all the immense waste of human incompetence and recklessness go on year after year, and yet they make scarcely a ripple on the surface. They receive no attention; they are ignored not only by the masses of the people but by statesmen and economists. If we could only discover some effective method of applying to better purpose our ability and resources, and lessen the present fearful destruction and waste, we should gain something real, substantial and enduring. Conservation — the saving and proper use of what we already have — is the great urgent undertaking of our time.

A COSTLY AGITATION.

There is every natural reason why the United States to-day should be prosperous, *tranquil* and contented above all the other

nations. The earth has yielded to us bountiful harvests. We have all the resources for the full employment of our people. Our national finances are established on a firm basis. We are at peace with all the world. Yet with all these blessings there is throughout the country a spirit of dissatisfaction and unrest, and a brooding sense of fear oppresses all our industrial activities.

A coming change in the control of the National House of Representatives is held to be the main cause of this, but there would be no unrest, no fear, if it were not for the belief that this change foreshadows a reopening of the tariff agitation which ought to have ended with the enactment of the Aldrich-Payne law seventeen months ago — this tariff agitation, party dissensions, the rivalries of politicians, the strife for personal power. I am thoroughly convinced that selfish ambitions to rule or ruin on the part of a certain class of public men are the real inspiring motives of much of the current movement for political and economic "reform" that seeks to hide itself under the mask of "progress." It would be infinitely better for the country if a great many of the strenuous orators who crowd the pages of the Congressional Record were transported to some distant land, where there is no *trade to vex, no banks or mills or railroads to*

denounce as odious enemies of the public welfare. What this country needs to-day to "restore to rectitude the warped state of things" is a long era of rest and quietness. A distinguished philanthropist, who until he retired from active business was the target for much envious indignation and abuse, has recently established out of his abounding wealth a fund of ten million dollars for the purpose of preaching and promoting good will among the nations. But what the United States of America needs even more than security against the attacks of foreign powers is some guarantee of internal, domestic peace.

THE TARIFF AN EASY TARGET.

So many people talk about the tariff who know nothing about it, and so many newspaper statements are made by irresponsible persons which have as much weight perhaps with the average reader as statements made by responsible men with full knowledge, that I am reminded of the remark of the Hon. George M. Stearns, of Chicopee, Mass., a very bright and witty man and one of the foremost Democratic stump speakers of his day. Many years ago a little party of which Mr. Stearns was one was gathered about a table at the Fifth Avenue Hotel, and the talk turned upon the tariff. Mr. Stearns said:

"My people have always told me not to talk about the tariff; they do not want me to talk about it; they think that the tariff was not interesting enough to those who attended political meetings. But I have not taken their advice; I love to talk about the tariff. I have found out that I can talk about the tariff better than I can talk on any other subject, and that I can interest my audiences on the tariff. The truth is that I do not know anything about the tariff and so am not hampered by any limitations of prosaic facts."

There are a great many newspapers and politicians loudly and confidently discussing the tariff in this country that could advantageously make the same confession as the frank and genial George M. Stearns. Take, for example, the frequent assertion that inordinate profits are yielded by the wool manufacture of the United States under the shelter of the protective system. This is mere assumption, and it is entirely false. The stock of corporations engaged in the business is not eagerly sought. If the business were exceptionally profitable people would be more ready to invest or engage in it. The corporation returns for 1910 will probably show how unprofitable the year's business has been. The fact is that the people who do not invest turn around and kick those who do invest.

In my business experience I have never

known a Democratic tariff that has not been harmful to the interests of the country. I have never known a Democratic political triumph that has failed to disturb confidence and retard business. The woeful object lesson of the Gorman-Wilson law may, however, lead to wiser use of power in enacting future legislation. I shall be glad of an opportunity to commend instead of to condemn.

One cannot foresee how long a period will elapse before the present tariff is revised nor the nature of future revision. The more thorough, competent, and impartial are the investigations the more clearly will appear the need of existing, if not higher, rates of duty. I cannot believe that a future tariff by which ever party enacted will be inimical to any American industry. It seems to me incredible that an American Congress shall be so unpatriotic as to legislate against the interests of its own country or attempt to destroy what it has taken so many years to upbuild. "America for Americans" should be the cry to animate the hearts of our people. Let us all then be filled with hope, build upon the future, and prosecute our business without fear.

A distinguished American statesman in a trying period of our history said in relation to *the resumption* of specie payments, "The way

to resume is to resume," and resumption immediately followed. We shall do well if we do likewise. The policy of the upbuilders of this nation will not be guided by prophets of evil, by sensational writers of business fiction as wild as that of Munchausen, by the selfish ambition of demagogues, or by the petty strifes of petty men over petty matters. They will wipe away the midgets, bear with the gnats and mosquitoes and other noxious insects, but keep on fishing just the same.

NOT A "PROHIBITIVE" LAW.

The present American tariff is habitually denounced as a "prohibitive" tariff. But notwithstanding all the hue and cry about excessive rates, our imports of manufactures of wool entered for consumption and directly competing with the products of American industry increased from a duty-paid valuation of \$34,327,280 in the last year of the Dingley tariff, the fiscal year 1909, to \$43,819,290 in the fiscal year succeeding, eleven months of which were under the Aldrich-Payne law. The greater relative increase in imports of cotton over woolen manufactures is due to the larger consumption of cotton goods in tropical and semi-tropical climates.

Both woolen and cotton textile industries are *handicapped* by the limitation of the pro-

duction of raw materials. I am not at all sure that the removal of the wool duty would lower permanently the price of wool in this country. The first immediate effect would be a reduction of the price, but then the American farmers would slaughter the sheep whose wool did not bring a reasonable profit. Thus the Gorman-Wilson law cost the country the destruction of one-fifth of its flocks in three years. But America produces one-eighth of all the wool of the world, and the final elimination of the American product would inevitably cause wool to rise again in price — so that there would be a heavy loss to American agricultural interests and no ultimate gain either to American manufacturers or to American purchasers of woollen goods.

WOOL AND COTTON—A CONTRAST.

Notwithstanding the magnitude of the woollen industry, the attacks upon Schedule K arise not so much from the alleged additional cost to the consumer as from the belief that the wool duties are the keystone of the protective arch and that by breaking down the wool tariff the advocates of free trade can break down all other schedules. While the woollen industry is a very large and most *important* national industry, the effects of the *wool duties* are always exaggerated.

Assuming our consumption of wool to be 600,000,000 pounds annually, even if under free wool the price to the manufacturer should be reduced by an average of 5 cents per pound on all the wools consumed, and it could not possibly be more than this, the apparent saving would amount to \$30,000,000, or about $33\frac{1}{3}$ cents per capita. Should this \$30,000,000 be lessened to the consumer, the American producers of wool would lose more than one-half of this amount, say 5 cents on 328,000,000 pounds, or about \$16,000,000. Besides this, the government would lose all of the revenue on the amount of the wool imported, which was \$21,000,000 in the last fiscal year, and also the amount of the compensatory wool duties on the manufactures of wool, amounting to \$9,000,000. As a matter of fact, since April, 1909, the price of American wool has fallen in value from 15 to 20 per cent, and woollen goods are lower than they have been for a long time. Men will strain at a gnat and swallow a camel.

Let us compare the statement already made with a similar one in regard to cotton, upon which there is no duty imposed. Since April, 1909, cotton has advanced in price over 40 per cent, and long staple cottons from 50 to 70 per cent. It may safely be said that this advance has been equivalent to \$20 a bale.

Assuming this year's crop of cotton to be 12,500,000 bales, which is about right, this advance has been equivalent to \$250,000,000. Our domestic consumption may be said to be 45 per cent of this, or 5,625,000 bales. On this the advance in cost to the American manufacturer is equivalent to \$112,500,000, or \$1.39 per capita, the remaining \$137,500,000 of advance being paid by foreign manufacturers to the American farmer. Besides this the American cotton manufacturer uses about 75,000,000 pounds of foreign cotton upon which the advance has been 6 cents per pound, or \$4,500,000. This added to the \$112,500,000 shows that the American manufacturer will pay \$117,000,000 more for the cotton he will use this year over and above prices previously paid.

Before the McKinley tariff of 1890, tin-plate was not made in the United States. In 1903, thirteen years after the manufacture was created here by the adequate McKinley protection, our product of tin-plate had reached the enormous quantity of 480,000 tons, while the imports had declined from 329,435 tons to only 47,360 tons. In 1893, when the tin-plate industry was in its infancy, the cost of foreign tin-plates landed in New York was 5.37 cents a pound. The average price of

American tin-plate in 1904 was only 3.41 cents a pound.

OUR NEED OF PEACE AND REST.

Facts like these shake down the foundations of the economic faith that the tariff is responsible for all advances in price and all high costs of living. What this American nation most needs after peace and rest is more exact knowledge of the fundamental principles of trade and commerce. Too many of our politicians are blind leaders of the blind. For most of the depression which overhangs American business to-day we have to thank those irresponsible agitators and their appeals to the prejudice and passion of the multitude.

In the summer of 1908, one of the mills with which I am connected held an auction sale of a large quantity of merchandise. I made a little speech to the buyers on that occasion, in accordance with the usual custom, and with other things I said : " Don't allow the depressing influences of the recent past to affect you too much. Eight months ago, with our mills running to fullest capacity, we could not fill our orders, and to-day the natural conditions of the country are more favorable than they were then. There is now not the slightest reason why the American merchants *should not at once* take hold again, and by